

**MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA**

FINANCIAL REPORT

June 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-4-06

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Commissioners
Morehouse Sales and Use Tax Commission
Bastrop, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2005, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to obtain adequate supporting documentation for some expenditures, to determine the amount of Commission funds expended for employees' personal use, or to determine that all revenues had been recorded.

In our opinion, except for the effects of such adjustments, if any, as might have been warranted had we been able to obtain adequate supporting documentation for some expenditures, to determine the amount of Commission funds expended for employees' personal use, or to determine that all revenues had been recorded referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Commission as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2005 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements the collectively comprise the Commission's basic financial statements. Management's discussion and analysis and the budgetary comparison schedule, presented as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

s\HILL, INZINA & CO.

November 17, 2005

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2005

As management of Morehouse Sales Tax and Use Tax Commission (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2005. This discussion and analysis of management is designed to provide an objective and easy to read analysis of the Commission's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Commission's finances. It is also intended to provide readers with an analysis of the Commission's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Commission. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Commission's financial activity, identify changes in the Commission's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the notes to financial statements and the required supplementary information that is provided in addition to this discussion and analysis of management.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's financial statements. The Commission's basic financial statements consist of the following components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to financial statements.

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net assets and statement of activities, seeking to give the users of the financial statements a broad overview of the Commission's financial position and results of operations in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or weakening. Evaluation of the overall economic health of the Commission would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information showing how the Commission's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the Commission's distinct activities or functions on revenues provided by the users of its services.

The government-wide financial statements report governmental activities of the Commission that are principally supported by charges for services. Governmental activities include general government only.

2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Commission uses funds to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of the Commission are governmental funds that are used to account for all of the Commission's basic services and are reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Commission's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and commitment of spendable resources for the near-term.

3. Notes to financial statements

Notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Government-Wide Financial Analysis

The following provides a summary of the net assets of the Commission's governmental activities:

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 139,218	\$ 148,077
Capital assets	<u>15,692</u>	<u>15,192</u>
Total assets	<u>\$ 154,910</u>	<u>\$ 163,269</u>
Other liabilities	\$ 15,243	\$ 42,341
Net assets:		
Invested in capital assets	15,692	15,192
Unrestricted	<u>123,975</u>	<u>105,736</u>
Total net assets	<u>\$ 139,667</u>	<u>\$ 120,928</u>

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission will use the unrestricted net assets to meet the ongoing obligations to users of its services and creditors.

By far the largest portion of the Commission's net assets as of June 30, 2005 (88.8%) consist of unrestricted net assets that may be used to meet the Commission's ongoing obligations to citizens and creditors. The remaining portion reflects the Commission's investment in capital assets (machinery and equipment). The Commission uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The following summarizes the Commission's net asset changes between the two years ended June 30, 2005 and 2004:

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 226,920	\$ 209,273
General revenues:		
Interest and miscellaneous	<u>8,106</u>	<u>1,174</u>
Total revenues	<u>\$ 235,026</u>	<u>\$ 210,447</u>
Expenses:		
Current:		
General government	<u>\$ 216,287</u>	<u>\$ 187,680</u>
Increase in net assets	<u>\$ 18,739</u>	<u>\$ 22,767</u>

The Commission's program revenues increased by \$17,647 while the total cost of all programs and services increased by \$28,607. The majority of the expense increase was attributable to the personal services which comprised 70% of the total cost.

Program revenues derive directly from the program itself and as a whole, reduce the cost of the function to be financed from the Commissions' general revenues.

Financial Analysis of Governmental Funds

As of June 30, 2005, the Commission's governmental fund reported ending fund balance of \$123,975, and increase of \$8,859 from \$105,736 as of June 30, 2004. The fund balance was unreserved and undesignated for both years.

General Fund Budgetary Highlights

The Commission was not required to and did not make any amendments to its budget.

Capital Assets

The Commission's investment in capital assets, net of accumulated depreciation, for its governmental activities as of June 30, 2005 was \$15,692 compared to \$15,192 as of June 30, 2004.

Economic Factors and Next Year's Budget

As the Commission foresees a nominal increase in operations for the next fiscal year, a budget for the General Fund of \$235,360 for both revenues and expenditures was adopted. The adopted budget included an available fund balance of \$100,000 while \$123,975 was actually available as of June 30, 2005.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ron Carter, Administrator, Post Office Box 672, Bastrop, Louisiana 71221-0672.

BASIC FINANCIAL STATEMENTS

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
June 30, 2005

ASSETS

Cash	\$ 23,975
Investments	100,000
Cash - restricted	15,243
Capital assets, net of depreciation	<u>15,692</u>
Total assets	<u>\$ 154,910</u>

LIABILITIES

Payable from restricted assets	<u>\$ 15,243</u>
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NET ASSETS

Invested in capital assets	\$ 15,692
Unrestricted	<u>123,975</u>
Total net assets	<u>\$ 139,667</u>
Total liabilities and net assets	<u>\$ 154,910</u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

As of and for the Year Ended June 30, 2005

Expenses:

Current:

General government:

Personal services	\$ 151,510
Operating services	34,471
Professional services	9,792
Travel, education, and audit	14,614
Depreciation	<u>5,900</u>
Total expenses	\$ 216,287

Program revenues:

Charges for services	<u>226,920</u>
Net program revenue	\$ 10,633

General revenues:

Interest and miscellaneous	<u>8,106</u>
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Change in net assets	\$ 18,739
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Net assets - beginning	<u>120,928</u>
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Net assets - ending	<u><u>\$ 139,667</u></u>
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See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND
June 30, 2005

ASSETS

Cash	\$ 23,975
Investments	100,000
Cash - restricted	<u>15,243</u>
Total assets	<u><u>\$ 139,218</u></u>

LIABILITIES AND FUND BALANCE

Liabilities - payable from restricted assets	\$ 15,243
Fund balance - unreserved and undesignated	<u>123,975</u>
Total liabilities and fund balance	<u><u>\$ 139,218</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUND - GENERAL FUND
As of and for the Year Ended June 30, 2005

Revenues:	
Charges for services	\$ 226,920
Interest and miscellaneous	<u>8,106</u>
Total revenues	<u>\$ 235,026</u>
Expenditures:	
Current:	
General government:	
Personal services	\$ 151,510
Operating services	34,471
Professional services	9,792
Travel, education, and audit	14,614
Capital outlay	<u>6,400</u>
Total expenditures	<u>\$ 216,787</u>
Net change in fund balance	\$ 18,239
Fund balance - beginning	<u>105,736</u>
Fund balance - ending	<u><u>\$ 123,975</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS
As of and for the Year Ended June 30, 2005

Total fund balance - governmental fund balance sheet	\$ 123,975
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Amounts reported for governmental activities in statement of net
assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	<u>15,692</u>
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Total net assets - government-wide statement of net assets	<u>\$ 139,667</u>
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See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
As of and for the Year Ended June 30, 2005

Net change in fund balance - governmental fund	\$ 18,239
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Amounts reported for governmental activities in statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.
This is the amount by which capital outlays (\$6,400) exceeded
depreciation expense (\$5,900) in the current period.

500

Change in net assets - government-wide statement of activities	<u>\$ 18,739</u>
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See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2005

Note 1. Organization and Summary of Significant Accounting Policies

Morehouse Sales and Use Tax Commission (the "Commission") was created by joint agreement of the sales and use taxing bodies of Morehouse Parish, Louisiana, on May 7, 1992, in accordance with Louisiana Revised Statute 33:2844. The purpose of the Commission is to provide centralized collection, enforcement, and administration of sales and use taxes within Morehouse Parish. The governing body of the Commission is comprised of nine non-compensated board members which are appointed as follows:

	<u>Members Appointed</u>
Morehouse Parish School Board	2
Morehouse Parish Police Jury	1
Sheriff of Morehouse Parish	1
City of Bastrop	2
Village of Mer Rouge	1
Village of Bonita	1
Village of Collinston	1

Each appointee of Morehouse Parish School Board and City of Bastrop, as well as the appointees of Morehouse Parish Police Jury and Sheriff of Morehouse Parish, have one full vote as a commissioner and the appointees from Village of Mer Rouge, Village of Bonita, and Village of Collinston have one-third vote each as a commissioner. Each appointed commissioner serves a one year term ending on June 30th of each year.

On December 21, 1999, the Commission entered into a joint agreement with Morehouse Parish Tourism Commission to collect, enforce, and administer the respective hotel/motel occupancy tax as authorized and levied by Morehouse Parish Tourism Commission within the boundaries of Morehouse Parish. The joint agreement also authorizes the Commission to institute suits in the name of Morehouse Parish Tourism Commission to enforce the collection of such tax.

The joint agreement with Morehouse Parish Tourism Commission became effective on January 1, 2000 and continues in effect until either party serves a 90 day written notice of cancellation. For services performed by the Commission under the joint agreement, Morehouse Parish Tourism Commission pays the Commission \$50 per month for collection of ten and under account transactions of any tax activity. If the number of tax account

NOTES TO FINANCIAL STATEMENTS

activities exceeds the maximum of ten accounts, the collection fee will be determined at the time of renewal of the joint agreement.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Commission is a jointly appointed stand-alone government, as it meets neither the criteria of a primary government, nor a component unit, since its governing board is not elected, and it is not fiscally dependent upon any of the constituent governments. As used in GASB Statement No. 14, fiscally independent means that the Commission may, without the approval or consent of another governmental entity, determine or modify its own budget and set its own rates or charges. The Commission has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the appointed Board of Commissioners are financially accountable.

The more significant of the Commission's accounting policies are described below:

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Commission as a whole.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities summarizing the fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include charges for services which report charges to users of the Commission's services. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included within the program revenues are reported as general revenues.

Fund Financial Statements:

Fund financial statements are provided for governmental funds with the major governmental fund reported in a single column.

NOTES TO FINANCIAL STATEMENTS

Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the Commission are prepared in accordance with generally accepted accounting principles (GAAP). The Commission's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Commission's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989 .

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Government fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred. There are no major revenue sources susceptible to accrual.

Fund Type and Major Fund:

The Commission reports the General Fund as a major governmental fund. The General Fund is the general operating fund of the Commission and accounts for all financial resources.

Budgets and Budgetary Accounting:

The budget for the General Fund was proposed by the Commission's administrator and formally adopted by the Board of Commissioners on May 14, 2004. The annual budget is prepared in accordance with the basis of accounting utilized by the fund. The Commission's administrator is authorized to transfer budgeted amounts within the functions; however, any revisions that alter total expenditures, resulting from revenues exceeding amounts estimated, require approval of the Commissioners. All annual appropriations lapse at the end of each fiscal year. No amendments were made to the budget.

NOTES TO FINANCIAL STATEMENTS

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash:

Cash includes amounts in interest-bearing demand deposits. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments:

State statutes authorize the Commission to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. If the original maturities of time deposits exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Nonparticipating investment contracts, generally certificates of deposit, are reported at cost, which approximates market value.

Restricted Assets and Liabilities Payable From Same:

Restricted assets are reported for property taxes paid under protest. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as needed.

Capital Assets and Depreciation:

The Commission's furniture and equipment with useful lives of more than one year are stated at historical cost. Capital assets are comprehensively reported in the government-wide financial statements.

The Commission generally capitalizes assets with cost of \$1,000 or more as purchase outlays occur. The costs of normal maintenance and repairs not adding to an asset's value or materially extending its useful life are not capitalized. Capital assets are depreciated using the straight-line method over estimated useful lives of five years. Upon disposition of capital assets, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

NOTES TO FINANCIAL STATEMENTS

Accumulated Compensated Absences:

Allowable annual vacation and sick leave is prescribed by the Commission's personnel policy, based on length of continuous employment by the Commission, accrued on an employment anniversary basis, and accrued to specified maximums. Hourly employees may elect compensatory time in lieu of overtime pay with proper documentation and approval by the Commission's administrator. Compensatory time is granted to supervisory personnel in lieu of overtime pay. Employees may accumulate unused compensatory time which is paid to the employee in the form of time off or at the employee's current rate of pay upon separation from service.

The Commission's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. *An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.*
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

NOTES TO FINANCIAL STATEMENTS

Annual vacation time must be taken in the year following that in which it was accrued and cannot be carried over and accumulated from year to year. If an employee is unable to utilize his/her full vacation during the year following that in which it was accrued, the unused portion will be credited as extended sick leave. Therefore, no liability is recorded for unused vacation time or for nonvesting accumulating rights to receive sick pay benefits. Estimated accrued compensated absences resulting from unused compensatory time at the end of the fiscal year are recorded in the government-wide financial statements. Neither is a liability recorded for immaterial amounts of accumulated compensated absences.

Compensated absences are paid from the fund responsible for the employee's compensation with all liabilities payable from the General Fund.

Equity Classifications:

In the government-wide financial statements, equity is classified as net assets and further classified as invested in capital assets (consists of capital assets net of accumulated depreciation) or unrestricted (consists of all other assets).

Revenue Recognition:

Fees for the collection of sales and use taxes are recorded when the Commission is entitled to the funds which is normally the same month the taxes are collected by the Commission.

Note 2. Cash and Investments

As of June 30, 2005, the Commission had cash and investments (book balances) as follows:

Interest-bearing demand deposits	\$ 34,018
Non-interest bearing demand deposits	5,000
Investments	100,000
Petty cash	<u>200</u>
	<u>\$ 139,218</u>

NOTES TO FINANCIAL STATEMENTS

The deposits are stated at cost, which approximates market. Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the Commission or its agent in the name of the Commission in a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2005, the Commission had \$835,243 in deposits (collected bank balances) which were secured from risk by \$205,000 of federal deposit insurance (GASB Category 1) and \$630,243 of pledged securities held by the Commission or its agent in the Commission's name (GASB Category 1).

There were no repurchase or reverse repurchase agreements as of June 30, 2005.

Note 3. Capital Assets

Capital asset and depreciation activity for the year ended June 30, 2005 of the Commission is as follows:

	Balance July 1, <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2005</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 35,206	\$ 6,400	\$ -	\$ 41,606
Less accumulated depreciation:				
Furniture and equipment	<u>(20,014)</u>	<u>(5,900)</u>	<u>-</u>	<u>(25,914)</u>
Total capital assets being depreciated, net	<u>\$ 15,192</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 15,692</u>

Note 4. Pension Plan

All full-time employees of the Commission are members of Municipal Employees' Retirement System of Louisiana (the "System"), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Commission are members of Plan A.

NOTES TO FINANCIAL STATEMENTS

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from Commission funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy:

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. The current rate is 15.0% of annual covered payroll. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Commission are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, *the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.* The Commission's contributions to the System under Plan A for the years ended June 30, 2005, 2004, and 2003 were \$17,155, \$10,988, and \$5,849, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Note 5. Deferred Compensation Plan

The Commission offers all full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency except for a one-time withdrawal which is subject to certain restrictions

All assets of the plan, including all deferred amounts, property, and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property, or rights, are held in a qualified trust, custodial account, or annuity contract for the exclusive benefit of the participants and beneficiaries. The assets are not subject to the claims of the Commission's creditors nor can they be used by the Commission for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

Note 6. Changes in Agency Fund Balances

The following is a summary of the sales and use taxes and hotel/motel occupancy taxes collected and paid to constituents and the General Fund of the Commission for the year ended June 30, 2005:

Collections:	
Sales and use tax	\$ 14,290,358
Hotel/motel occupancy tax	43,706
Interest and miscellaneous	<u>3,660</u>
	<u>\$ 14,337,724</u>

NOTES TO FINANCIAL STATEMENTS

Remittances:

Taxes distributed:

Morehouse Parish School Board	\$ 5,627,661
Morehouse Parish Police Jury	1,410,689
Morehouse Parish Sheriff	1,408,354
City of Bastrop	4,841,784
City of Bastrop Sales Tax District No. 1	303,619
Village of Mer Rouge	183,374
Village of Bonita	27,562
Village of Collinston	51,574
East School District	152,986
Morehouse Parish Tourism Commission	43,106
Refunded sales and use tax	44,620
Refunded state sales tax	9
Reimbursed Commission's costs	15,467
Collection fee to Morehouse Sales and Use Tax Commission	<u>226,919</u>

Total remittances	<u>\$ 14,337,724</u>
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Note 7. Contingencies and Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

As of June 30, 2005, the Commission was not involved in any litigation nor aware of any unasserted claims.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND - GENERAL FUND
As of and for the Year Ended June 30, 2005

	<u>Budget</u>			Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 219,308	\$ 219,308	\$ 226,920	\$ 7,612
Interest and miscellaneous	1,500	1,500	8,106	6,606
Total revenues	<u>\$ 220,808</u>	<u>\$ 220,808</u>	<u>\$ 235,026</u>	<u>\$ 14,218</u>
Expenditures:				
Current:				
General government:				
Personal services:				
Salaries	\$ 114,869	\$ 114,869	\$ 114,139	\$ 730
Contract labor	4,400	4,400	2,665	1,735
Retirement	17,080	17,080	17,155	(75)
Group health insurance	16,092	16,092	14,992	1,100
Payroll taxes	1,843	1,843	2,068	(225)
Workers' compensation insurance	994	994	491	503
Unemployment insurance	1,000	1,000	-	1,000
Total personal services	<u>\$ 156,278</u>	<u>\$ 156,278</u>	<u>\$ 151,510</u>	<u>\$ 4,768</u>
Operating services:				
Dues and subscription	\$ 1,000	\$ 1,000	\$ 1,015	\$(15)
Printed forms	2,500	2,500	1,235	1,265
Postage and permits	4,000	4,000	3,892	108
Telephone	5,000	5,000	5,409	(409)
Office rent and utilities	9,500	9,500	9,799	(299)
Repairs and maintenance	3,200	3,200	4,157	(957)
Office supplies	2,800	2,800	6,343	(3,543)
Computer upgrades	3,000	3,000	2,621	379
Total operating services	<u>\$ 31,000</u>	<u>\$ 31,000</u>	<u>\$ 34,471</u>	<u>\$(3,471)</u>

(continued)

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND - GENERAL FUND
(Continued)
As of and for the Year Ended June 30, 2005

	<u>Budget</u>			<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Professional services:				
Bank charges	\$ 30	\$ 30	\$ 12	\$ 18
Legal	10,000	10,000	4,580	5,420
Audit	3,000	3,000	3,762	(762)
Insurance	<u>3,500</u>	<u>3,500</u>	<u>1,438</u>	<u>2,062</u>
Total professional services	<u>\$ 16,530</u>	<u>\$ 16,530</u>	<u>\$ 9,792</u>	<u>\$ 6,738</u>
Travel, education, and audit	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 14,614</u>	<u>\$ (2,614)</u>
Capital outlay	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 6,400</u>	<u>\$ (1,400)</u>
Total general fund expenditures	<u>\$ 220,808</u>	<u>\$ 220,808</u>	<u>\$ 216,787</u>	<u>\$ 4,021</u>
Net change in fund balance	\$ -	\$ -	\$ 18,239	\$ 18,239
Fund balance - beginning	<u>30,000</u>	<u>30,000</u>	<u>105,736</u>	<u>75,736</u>
Fund balance - ending	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 123,975</u>	<u>\$ 93,975</u>

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Morehouse Sales and Use Tax Commission
Bastrop, Louisiana

We have audited the financial statements of the governmental activities and the major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2005, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1 and 2005-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that

are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2005-2 and 2005-3.

This report is intended for the information and use of management and the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

s\HILL, INZINA & CO.

November 17, 2005

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
As of and for the Year Ended June 30, 2005

We have audited the financial statements of the governmental activities and the major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2005, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2005 resulted in a qualified opinion.

Section I - Summary of Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Internal Control

Material Weaknesses ☒ Yes ☐ No Reportable Conditions ☒ Yes ☐ No

Compliance

Material to Financial Statements ☒ Yes ☐ No

Section II - Financial Statement Findings

2005-1 Inadequate Segregation of Duties (initially cited in first audit conducted by our firm as of and for the year ended June 30, 1994)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic and space limitations.

Effect: Not determined.

Recommendation: No action is recommended.

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Management's

response and
planned cor-
rective action:

We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.

2005-2 Holding of Taxes Paid Under Protest (initial citing)

- Criteria: Pursuant to Louisiana Revised Statute 47:1576, taxes paid under protest for which a suit for recovery has been filed shall be held in an escrow account pending the outcome of the suit.
- Condition: In December 2004, a partial refund was made of the total taxes paid under protest. The total taxes paid under protest had originally been invested in a certificate of deposit so when funds were required to be refunded, the entire certificate of deposit was redeemed and deposited into a checking account. The taxes paid under protest not refunded remained in the checking account and not in an escrow account until refunded in October 2005.
- Cause: The Commission's administrator redeemed the certificate of deposit to avoid possible early withdrawal penalties if the certificate had been renewed at its stated maturity date.
- Effect: Funds were not held in escrow pursuant to state law.
- Recommendation: Taxes paid under protest for which a suit for recovery has been filed *should be held in an escrow account pending the final outcome of the suit.*

response and
planned cor-
rective action:

We concur in the finding with the following explanation and planned action. We had taken the money out of the separate account in anticipation of refunding the payment paid under protest. When our attorney contacted us with the amount to refund it was not the entire amount. When the attorney was contacted about the difference, he informed not to refund the remainder until further notice and we did not re-invest expecting to refund the remainder in the near future. It was June 2005 before our attorney and the taxpayer's attorney began to make provision for the remainder to be refunded. In the future, if we redeem a certificate of deposit in anticipation of refunding payment paid under protest, we will deposit the proceeds of the certificate of deposit into a separate savings account that is easily accessible.

2005-3 Improvement of Internal Controls Over Expenditures and Revenues (initial citing)

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use, that transactions are executed in accordance with management's authorization, and that all revenues from valid transactions are recorded.

Condition: Employees were reimbursed for excess miles due to mileage amounts being incorrectly calculated.

An employee claimed per diem for two lunches but was only reimbursed per diem for one breakfast. Also noted was that an employee claimed per diem for four breakfasts, lunches, and dinners while only requesting mileage reimbursement for five days with no one day's round trip mileage exceeding 30 miles.

An employee was reimbursed \$40 per month for business use of their personal cell phone without any evidence being provided that at least this amount was being expended for business use.

An employee was advanced \$175 but never submitted any documentation as to the actual expenditures nor returned the advance.

An employee inadvertently claimed reimbursement for travel, meals, etc. on two days for which their compensated absences worksheet reflected that they were on vacation or sick leave.

Numerous reimbursements were made at per diem for all meals while attending conferences with some of the meals being provided at the conference and included in the registration fee.

Registration fees totaling approximately \$400 were paid for employees to attend conferences for which the employees did not actually attend due to employees having a change of mind, sickness, inoperable vehicles, etc. Also, two hotel room charges were incurred due to the non-attendance because reservations were canceled late.

Of the total \$6,054 credit card charges made, \$2,422, or 40%, did not have supporting documentation. Of those with supporting documentation, 64% were not signed by the party receiving the goods and/or services.

\$105 of finance charges and late fees were incurred for the credit card activity.

An employee charged to the credit card amounts deemed by the Commission's administrator to be for personal use. All but \$33 of the charges deemed as personal were deducted from the employee's payroll or reimbursement check.

Approximately \$100 was expended or charged to the credit card for floral arrangements.

Seven nights' of hotel charges were made for a conference attended in Asheville, NC. The conference began at noon on July 4, 2005 and ended at 10 a.m. on July 8, 2005. The conference was attended by the Commission's administrator and spouse. With the conference ended at 10 a.m. on July 8th, no reason was provided for the July 9th checkout date. The conference's agenda was not provided by the Commission's administrator but was located by the auditor on the internet. Also noted that administrator's spouse also attended several other conferences during the year but noted no specific additional cost/charges resulting from the spouse's attendance.

\$720 of unauthorized credit card charges were made for vehicle rental over a two month period. Although not authorized by the Commission's administrator, the amounts were paid by the Commission with request not being made of the responsible employee for the unauthorized charges. The same employee also ceased requesting reimbursements for travel, meals, etc. in mid April 2005; therefore, the Commission has no formal documentation as to whether the rentals were made for business purposes. On two such charges, the employee returned the vehicle on a Saturday and on one charge, paid \$100 personally, and charged the remaining balance to the credit card.

Our search for unrecorded accounts payable as of June 30, 2005 revealed additional unauthorized rental vehicle expenses of \$440 incurred in July 2005 of which the Commission also paid and did not request reimbursement from the employee responsible for making the charges. Again on these charges, the employee paid a portion of the costs and charged the remaining balance to the credit card.

As of June 30, 2005, three of the Commission's four full-time employees each had possession of a cell phone 24 hours a day with the Commission paying all associated costs. In addition to the cell phone charges, the Commission was also paying monthly charges for four land lines at the Commission's office.

Review of the air time usage detail for two of the employees for two months denoted that approximately 50% of their total calls occurred and approximately 53% of the total minutes were utilized not during the Commission's regular business hours. Upon inquiry of the Commission's administrator as to whom these calls were being made and as to the business purpose of the call, we were informed that there was no way of knowing whom was being called but that approximately 80% of one line reviewed was for personal usage and the other line was used approximately 85% to 90% for business purposes. Upon our researching the internet to determine whom was being called, it is assumed that all but one of the reviewed phone numbers called, for which a party could be determined, were for personal versus business purposes.

Approximately \$620 was expended for usage of minutes, at the rate of \$.40 per minute, exceeding those allowed under the usage plans obtained for the three cell phones that charges were paid for directly by the Commission. Upon inquiry as to why the plans were not changed to accommodate the actual usage at a lower fee, the Commissioner's administrator informed that the provider was contacted in the early part of the year ended June 30, 2005 to increase the minutes allowed and that apparently the change was never made.

On August 8, 2005, the Commission purchased a vehicle at a cost of \$18,784 for which specific approval of the Board of Commissioners was not requested nor was the capital outlay approved by the budget as adopted for the current fiscal year - such expenditure comprises 8% of the total budgeted expenditures.

Only two meetings of the board of commissioners was held during the year ended June 30, 2005. The chairman of the Commission is not re-elected by majority vote in July of each year as required by the joint agreement between the Commission and its constituents.

We had been informed by the Commissioner's administrator while performing previous years' audits that all other employees of the Commission had opted to be paid overtime in lieu of earning compensatory time and that very seldom was any overtime charges incurred. Also, the administrator had not maintained records of his compensatory time and felt that he would never take the earned time as in some years, he had not taken all of his vacation time due to time constraints with his unused vacation being converted to sick pay per the Commission's personnel policies. The matter of compensatory time not being documented was reported in the management letter issued for the year ended June 30, 2004. As of June 30, 2004, the administrator's accumulated leave worksheet reflected no compensatory time whereas review of the worksheet for the year ended June 30, 2005 reflected a beginning balance of compensatory time of 166 hours. Upon inquiry of the administrator, he had misunderstood the recommendation and had reconstructed records for several year resulting in the beginning balance of 166 hours. Upon our stating that the reconstruction of records was not evidential matter and that if actual records were provided that a prior period adjustment would have to be made in the current financial statements, the administrator recommended that the liability not be

recorded. Our review of the compensatory time records for the year ended June 30, 2005 denoted that the administrator had earned 10.5 hours and had taken only eight hours.

While making a selection of cash receipts from an undeterminable population total to trace to actual bank deposits, two receipts were completely cut from the cash receipts book. Also noted in the selection process was that receipts were pre-numbered but not issued in sequential order, receipts were not requested to be printed in sequential order from the supplier, and that blank receipts randomly remain in the cash receipt books not properly voided.

29 individual cash receipts, for which copies were available, (totaling \$41,540) were selected for testing. Records were not make available for \$2,911 of the total selected (or 7%) as to the cash being deposited. Upon not being able to readily trace one of the cash receipts for \$460 to the detailed printout, the Commissioner's administrator informed that the cash was not available at the expected time for deposit. He had requested that the employee who issued the receipt reimburse the cash. The employee did over a period of time and the \$460 was finally deposited on July 14, 2005. Another selected cash receipt of \$800 receipted on November 29, 2004 was held in the cash drawer and not deposited until the vendor's balance was paid in full on February 8, 2005.

While searching for the un-deposited funds, the Commission's administrator learned from the software vendor that currently information related to individual vendor's accounts could be modified by anyone having access to the program to be nor not be included on a delinquent account report generated by the software.

Six disbursements examined (totaling \$4,181) out of a total of 20 disbursements examined (30%) (totaling \$8,384) did not have adequate supporting documentation. Three disbursements examined (totaling \$490) out of 14 disbursements examined (21%) (totaling \$4,204) were not signed by the Commission's employee receiving the goods or services.

Cause:

The Board of Commissioners and employees of the Commission have not accepted the value of such internal control policies and procedures being established, implemented, and enforced.

Effect: The failure to establish internal controls has resulted in possible losses of assets from unauthorized use or disposition, from transactions not in accordance with management's authorization, and from failure to properly record all revenues.

Recommendation: We recommend that immediate action be taken by the Board of Commissioners to ensure that internal control policies and procedures are established, implemented, and enforced to alleviate future occurrences of similar incidents. Such policies and procedures to be considered are:

- 1) More frequent meetings of the Board of Commissioners to keep them abreast of the Commission's activities, financial matters, budget requirements, etc.
- 2) Reimbursement requests should be verified for accuracy as to travel destinations, meals claimed, dollar amounts claimed, etc. before payment is made.
- 3) All advances to employees should be considered as loans until such time that accurate and adequate supporting documentation is received by the Commission.
- 4) Registration fees paid to attend conferences for which employees later determine will not be attended, should be requested to be refunded. Also, decisions to not attend should be timely made to avoid late cancellation fees by hotels.
- 5) No expenditure should be made by the Commission without adequate supporting documentation signed by the Commission's employee responsible for receiving the goods/services.
- 6) Expenditures should be made timely to avoid finance charges and late fees.
- 7) No charges should be made to the Commission for employees' personal use.
- 8) Cell phones should only be provided to employees working out of the office and only during normal business hours.
- 9) Personnel policies should be adhered to as stated or revised to meet the actual practices of the Commission's employees.
- 10) Money orders should be required in lieu of actual cash collections.
- 11) Prenumbered receipts should be made available for receipting the money orders and issued in sequential order.
- 12) The capability of individual vendor's account information being modified should be addressed with the software provider.

Management's
response and
planned cor-
rective action:

We have reviewed the findings of the audit and agree that there are several weaknesses in internal controls, expenditures, and revenues. We have already taken some steps to remedy the majority of these problems. All of the car rental charges to the Commission's credit card were by an ex-employee without the administrator's knowledge until after the fact. We have written new policies and procedures for employees to follow for cash receipts, travel claims, and credit card purchases, which should eliminate the majority of all findings. We have eliminated all except one of the cell phones which will be used by any employee only while traveling out of the office and we will try to amend the personnel policy to eliminate any compensatory time for overtime worked.

We tried to establish quarterly board meetings in the past, but most of the meetings we did not have a quorum present to conduct the meetings. According to the joint agreement which established the Commission, the administrator has the authority to make any necessary purchases as long as the expenditures do not exceed the approved budget.

Section III - Management Letter

None issued.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
As of and for the Year Ended June 30, 2005

Section I - Financial Statement Findings

2004-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to a proper internal control.

Unresolved - 2005-1.

Section II - Management Letter

2004-1 Personnel Policies and Official Minutes

The Commission's personnel policy relating to vacation for all employees states that the allowable annual vacation is based on length of continuous full-time employment by the Commission and is accrued on an employment anniversary basis.

The personnel policy also states that compensation time will be granted to supervisory personnel in lieu of overtime pay and that such time will be properly documented.

Personnel policies do not address the payment of dues, licenses, and continuing education on the administrator's behalf who is a certified public accountant.

All official proceedings of the Commission's board should be documented in the official minutes and conducted at meetings of the entire board.

Resolved.

2004-2 Internal Revenue Service Requirements

Internal Revenue Service regulations require that an annual reporting be made of payments of \$600 or more for services performed for the Commission by persons not treated as its employees and for all amounts paid to attorneys.

Also required by the Internal Revenue Service is the Commission's depositing payroll related taxes on a monthly payroll basis by the 15th or the next banking day of the subsequent month.

Resolved.